

**REPORT OF THE AUDIT OF THE  
PERRY COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2005**



**This Audit  
Has Been Saved**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE PERRY COUNTY FISCAL COURT**

**June 30, 2005**

Chris Gooch, Certified Public Accountant has completed the audit of the Perry County Fiscal Court for fiscal year ended June 30, 2005. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Perry County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Perry County's major federal program: Community Development Block Grant – South Perry Water Expansion Project (CFDA # 14.228).

#### **Financial Condition:**

The fiscal court had net assets of \$9,398,945 as of June 30, 2005. The fiscal court had unrestricted net assets of \$1,272,122 in its governmental activities as of June 30, 2005, with total net assets of \$9,383,972. In its enterprise fund, total net cash and cash equivalents were \$14,973 with total net assets of \$14,973. The fiscal court had total debt principal as of June 30, 2005 of \$15,098,300 with \$629,761 due within the next year.

#### **Report Comment:**

- All Interfund Transfers Should Be Properly Recorded As Transfers In/Out

#### **Deposits:**

As of June 30, 2005, the fiscal court and component units' deposits were insured and collateralized by bank securities or bonds.

## CONTENTS

## PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
PERRY COUNTY OFFICIALS .....	3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS .....	13
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	17
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	21
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	25
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	29
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	33
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	37
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	41
STATEMENT OF FUND NET ASSETS - FIDUCIARY FUND - MODIFIED CASH BASIS .....	45
NOTES TO FINANCIAL STATEMENTS .....	48
BUDGETARY COMPARISON SCHEDULES.....	65
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION .....	71
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	73
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	77
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	81
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	85
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	88
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	89
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	93
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

# Chris Gooch

Certified Public Accountant  
P.O. Box 1536  
Hazard, Kentucky 41702  
(606) 436-5700

FAX: (606) 436-5701

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Ferris, Secretary  
Finance and Administration Cabinet  
Honorable Denny Ray Noble, Perry County Judge/Executive  
Members of the Perry County Fiscal Court

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major program, and the aggregate remaining fund information of Perry County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Perry County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Perry County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Ferris, Secretary  
Finance and Administration Cabinet  
Honorable Denny Ray Noble, Perry County Judge/Executive  
Members of the Perry County Fiscal Court

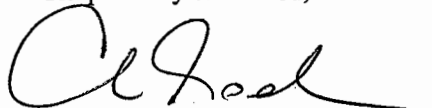
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Perry County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 18, 2006 on our consideration of Perry County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comment:

- All Interfund Transfers Should Be Properly Recorded As Transfers In/Out

Respectfully submitted,



Chris Gooch  
Certified Public Accountant

Audit fieldwork completed -  
May 18, 2006

PERRY COUNTY OFFICIALS

For The Year Ended June 30, 2005

**Fiscal Court Members:**

Denny Ray Noble	County Judge/Executive
Earl Bailey	Magistrate
Jimmy D. Neace	Magistrate
Johnny Blair	Magistrate

**Other Elected Officials:**

John Carl Shackelford	County Attorney
McClee Feltner	Jailer
Haven King	County Clerk
Roger Collins	Circuit Court Clerk
Pat Wooton	Sheriff
John Frank Gross	Property Valuation Administrator
Jimmy Maggard	Coroner

**Appointed Personnel:**

Tonya Delph	County Treasurer
Joyce Napier	Finance Officer

THIS PAGE LEFT BLANK INTENTIONALLY

Office of the County Judge - Executive

DENNY RAY NOBLE



P.O. Drawer 210  
HAZARD, KENTUCKY 41701  
(606) 436-4513

**Management's Discussion and Analysis  
June 30, 2005**

The financial management of Perry County, Kentucky offers readers of Perry County's financial statements this narrative overview and analysis of the financial activities of Perry County for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

**Financial Highlights.**

- Perry County has net capital assets of \$19,550,337 as of June 30, 2005. The fiscal court had unrestricted net assets of \$1,272,122 in its governmental activities as of June 30, 2005. In its business-type activities, cash and cash equivalents were \$14,973 with total assets of \$14,973. Total debt principal as of June 30, 2005 was \$15,098,300 with \$629,761 due within one year.
- At the close of the current fiscal year, Perry County's governmental funds balance sheet reported a fund balance of \$1,440,210. Of this amount, \$1,415,092 is available for spending (unreserved fund balance).
- Perry County's total indebtedness at the close of fiscal year June 30, 2005 was \$15,098,300, of which \$14,468,539 is long-term debt (due after one year). There were no debt additions and debt reductions totaled \$665,847.
- Expended Disaster and Emergency Assistance Grants totaling \$273,140.
- Expended \$65,807 in Homeland Security Grants.
- Expended \$146,533 in PRIDE Community Grants.
- Acquired ten vehicles for various departments including Road, Detention Center and Sheriff totaling \$194,490.
- Reduced long-term debt \$665,847.
- Completed construction of Perry County Justice Center. Total cost reflected in the financial statements is \$8,106,500.
- Perry County expended a total of \$1,973,998 in Community Development Block Grant Funds for water projects throughout Perry County.

## Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Perry County's basic financial statements. Perry County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function. Comparative schedules of net assets and capital assets net of accumulated depreciation have been included here in.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of Perry County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Perry County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Perry County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognized revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of Perry County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type). Perry County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. Perry County has one business-type activity – the operation of a jail canteen.

The government-wide financial statements include not only Perry County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with Perry County. Perry County has one such entity, the Public Properties Corporation. It is known as a blended component unit.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Perry County, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Perry County can be divided into three broad categories: *governmental funds, proprietary funds, and fiduciary funds.*

Perry County  
Management's Discussion and Analysis  
June 30, 2005  
(Continued)

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Perry County maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, LGEA Fund, CDBG Fund, and Justice Center Corporation Fund, all of which are considered major funds by Perry County. E-911 Fund, KREDA Fund, Area Development Fund, FEMA Fund, Perry County Emergency Fund, Buckhorn Waterline Fund, Forestry Fund, Coal Severance Project Fund and Public Properties Corporation Bond Fund are considered non-major funds and are represented in a combined form.

Perry County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

**Proprietary Funds.** Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

**Fiduciary Funds.** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County's only fiduciary fund is the Jail Inmate fund, an agency fund. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis.**

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Perry County  
Management's Discussion and Analysis  
June 30, 2005  
(Continued)

**Net Assets (Continued).**

**Table 1**  
**Perry County's Net Assets**

	2005			2004		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
<b>Assets</b>						
Current Assets	\$ 1,440,210	\$ 14,973	\$ 1,455,183	\$ 1,630,654	\$ 34,474	\$ 1,665,128
Capital Assets	19,550,337	-	19,550,337	17,538,490	-	17,538,490
<b>Total Assets</b>	<b>\$ 20,990,547</b>	<b>\$ 14,973</b>	<b>\$ 21,005,520</b>	<b>\$ 19,169,144</b>	<b>\$ 34,474</b>	<b>\$ 19,203,618</b>
<b>Liabilities</b>						
Debt Service	\$ 15,098,030	\$ -	\$ 15,098,030	\$ 15,594,205	\$ -	\$ 15,594,205
<b>Total Liabilities</b>	<b>\$ 15,098,030</b>	<b>\$ -</b>	<b>\$ 15,098,030</b>	<b>\$ 15,594,205</b>	<b>\$ -</b>	<b>\$ 15,594,205</b>
<b>Net Assets</b>						
Invested in Capital Assets,						
Net of Related Debt	\$ 4,452,307	\$ -	\$ 4,452,307	\$ 1,944,285	\$ -	\$ 1,944,285
Restricted	168,088	14,973	183,061	907,044	34,474	941,518
Unrestricted	1,272,122	-	1,272,122	723,610	-	723,610
<b>Total Net Assets</b>	<b>\$ 5,892,517</b>	<b>\$ 14,973</b>	<b>\$ 5,907,490</b>	<b>\$ 3,574,939</b>	<b>\$ 34,474</b>	<b>\$ 3,609,413</b>

Comments regarding Perry County's Net Asset comparisons:

- Cash and cash equivalents decreased \$209,945.
- Net increase in capital assets included Perry County Justice Center Corporation addition.
- Total principal reductions on debt service was \$665,847.

**Table 2**  
**Perry County's Change in Net Assets**

	2005			2004		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
<b>Revenues:</b>						
Charges for Services	31,457	285,833	317,290	873,438	182,521	1,055,959
Operating Grants & Contributions	5,295,871	-	5,295,871	4,855,503	-	4,855,503
Capital Grants & Contributions	2,218,981	-	2,218,981	2,283,900	-	2,283,900
Taxes & Excess Fees	2,151,298	-	2,151,298	1,747,780	-	1,747,780
Miscellaneous Revenue	434,469	156	434,625	6,661,921	-	6,661,921
<b>Total Revenues</b>	<b>10,132,076</b>	<b>285,989</b>	<b>10,418,065</b>	<b>16,422,542</b>	<b>182,521</b>	<b>16,605,063</b>

Perry County  
Management's Discussion and Analysis  
June 30, 2005  
(Continued)

**Change in Net Assets (Continued).**

	2005			2004		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
<b>Expenses:</b>						
General Government	2,450,068	-	2,450,068	2,820,030	-	2,820,030
Protection to Persons & Property	1,814,311	-	1,814,311	1,640,265	-	1,640,265
General Health & Sanitation	480,229	-	480,229	1,864,683	-	1,864,683
Social Services	30,407	-	30,407	75,722	-	75,722
Recreation & Culture	94,097	-	94,097	106,456	-	106,456
Roads	763,029	-	763,029	1,605,832	-	1,605,832
Interest on Long-Term Debt	590,027	-	590,027	623,095	-	623,095
Capital Projects	1,991,800	-	1,991,800	30,559	-	30,559
Jail Canteen Fund	-	305,490	305,490	-	165,147	165,147
<b>Total Expenses</b>	<b>8,213,968</b>	<b>305,490</b>	<b>8,519,458</b>	<b>8,766,642</b>	<b>165,147</b>	<b>8,931,789</b>
<b>Change in Net Assets</b>	<b>1,918,108</b>	<b>(19,501)</b>	<b>1,898,607</b>	<b>7,655,900</b>	<b>17,374</b>	<b>7,673,274</b>

Comments regarding Perry County's Change in Net Asset comparisons:

- Miscellaneous Revenue for 2004 includes \$6,137,114 principal on Cintas long-term receivable forgiven.
- Capital Projects expenses for 2005 include \$1,973,999 in Community Development Block Grant expenditures
- General Health and Sanitation expenses for 2004 include \$1,529,263 in Coal Severance Tax projects.
- Roads expense decreased from 2005 to 2004, \$842,803.

**Financial Analysis of Perry County's Funds**

As noted earlier, Perry County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds Overview.* The focus of Perry County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Perry County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2005 fiscal year, the combined ending fund balance of Perry County governmental funds was \$1,440,210. Approximately 98% (\$1,415,092) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$25,118) is reserved to indicate that it is not available for new spending because it is committed.

### Financial Analysis of Perry County's Funds (Continued)

Perry County has 6 major governmental funds. These are 1) General Fund; 2) Road Fund, 3) Jail Fund; 4) LGEA Fund, 5) Community Development Block Grant Fund; and 6) Justice Center Corporation Fund. There are 9 non-major funds. They are the E-911 Fund, KREDA Fund, Area Development Fund, FEMA Fund, Perry County Emergency Fund, Buckhorn Water Line Fund, Forestry Fund, Coal Severance Project Fund, and Public Properties Corporation Bond Fund.

1. The General Fund is the chief operating fund of Perry County. At the end of June 30, 2005 fiscal year, unreserved fund balance of the General Fund was \$386,579, while total fund balance was \$389,030. The county received \$1,459,359 in real and personal property, motor vehicle, and other taxes for approximately 66% of the county's general fund revenues. Various other service fees, and miscellaneous revenues make up the remaining 34% of revenue.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$245,574 in fund balance at June 30, 2005. The fund balance at the end of the previous year was \$184,514. The fiscal year 2005 expenditures for road projects were \$1,115,524.
3. The Jail Fund is used to account for the operation of Perry County's detention program. The Jail Fund had a fund balance at June 30, 2005 of \$6,194. The Jail Fund received \$978,575 for intergovernmental fees, primarily for housing prisoners. The General Fund contributed \$1,000,000 to the jail operations.
4. The Local Government Economic Assistance Fund has a fund balance of \$340,543, an increase of \$179,843 over the previous fiscal year end.
5. The E-911 fund is used to account for the operation of Perry County E-911 System. The E-911 Fund had \$36,051 in fund balance on June 30, 2005. The fund balance at the end of the previous fiscal year was \$22,776.
6. The Forestry Fund is used to account for funds received from fire protection. The county received \$622 in tax receipts. The Fund balance as of June 30, 2005 was \$7,523 and increase of \$651.
7. The KREDA Fund had a balance at June 30, 2005 of \$159,791. The amount of funds are reserved for bond payment of the Cintas building only.
8. The Perry County Coal Severance Fund was restricted for Perry County Water Lines. The county received a grant for \$174,725 and interest of \$359. The County expended \$218,958 during the fiscal year. The fund balance as of June 30, 2005 was \$82,459.
9. The Perry County Public Properties Corporation fund has funds left over from bonds. There was a prior year carryover of \$163,384.
10. The CDBG Fund was restricted to Perry County Water Lines. The funds received \$1,974,000 in federal funds from the Governor Office for Local Development and expended \$1,973,998.
11. The Buckhorn Water Line Fund is money that has been receipted from citizens of Buckhorn for water lines. There was a prior year carryover of \$1,456. \$1,453 was expended during the fiscal year.

### **Financial Analysis of Perry County's Funds (Continued)**

12. The Area Development Fund is used to match grants that are received through Kentucky River Area Development District. This fund has a balance of \$32 from prior year carry over. There was no activity in this fund during the Fiscal Year.
13. The Perry County Retirement Revolving Fund is a clearing account for retirement benefits. The revenue is derived from the funds, sheriff and clerk. The county, in turn, expends the employee and county contribution.
14. The FEMA Fund receives revenue from federal grants for disasters. There is a balance of \$1,532 from prior year carryover. There was no activity in this fund during the Fiscal Year.
15. The Perry County Emergency Fund are funds from Federal Grants to be used for Emergency management office equipment to support hazardous areas in Perry County. There is a fund balance of \$3,384, these funds are from prior year carryover. There was no activity in this fund during the Fiscal Year.

*Proprietary Funds Overview.* Perry County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Perry County has one enterprise fund, the Jail Canteen Fund. The Jail Canteen Fund had a cash balance of \$14,973 as of June 30, 2005.

### **General Fund Budgetary Highlights**

Perry County's original budget was amended during the fiscal year increasing the operating budget by \$205,860. Budget amendments were made to all areas due to state and federal grants, surplus carried forward, and increase in several accounts as opposed to projected collections.

Actual operating revenues were \$138,516 more than amount originally budgeted by Fiscal Court. This increase was primarily from Intergovernmental sources and tax revenues.

Actual operating expenditures were \$177,358 more than the amount originally budgeted by Fiscal Court.

### **Capital Assets and Debt Administration**

*Capital Assets.* Perry County's investment in capital assets for its government and business type activities as of June 30, 2005, amounts to \$19,550,337, net of depreciation. This investment in capital assets includes construction in progress, land, building, improvements to land other than buildings, machinery and equipment, vehicles and infrastructure.

Major capital asset events during the 2005 fiscal year included vehicle acquisitions and infrastructure. Additional information on Perry County's capital assets can be found in Note 3 of this report.

**Table 3**  
**Perry County's Capital Assets, Net of Accumulated Depreciation**

	<b>Governmental Activities</b>	
	2005	2004
Infrastructure	\$ 1,361,924	\$ 109,364
Land	2,730,802	2,730,802
Construction in Progress	-	6,320,551
Buildings and Improvements	14,341,742	7,427,251
Vehicles and Equipment	1,115,869	950,522
<b>Total Net Capital Assets</b>	<b>\$ 19,550,337</b>	<b>\$ 17,538,490</b>

*Long-Term Debt.* At the end of the 2005 fiscal year, Perry County had total long-term debt outstanding of \$15,098,300. The amount of this debt due within the next year is \$629,761 and \$14,468,539 is due in subsequent years. This debt is for the detention center, the Justice Center, various vehicles and equipment and refinancing of older debt obligations. This debt is described in Note 5 of the notes to the financial statements.

#### **Request for Information**

This financial report is designed to provide a general overview of Perry County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Perry County Treasurer, (Tonya Delph, PO Drawer 210, Hazard, Kentucky 41702.)

**PERRY COUNTY**  
**STATEMENT OF NET ASSETS – MODIFIED CASH BASIS**

**June 30, 2005**

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**STATEMENT OF NET ASSETS – MODIFIED CASH BASIS**

**June 30, 2005**

	<u>Governmental</u> <u>Activities</u>	<u>Primary Government</u> <u>Business-type</u> <u>Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,440,210	\$ 14,973	\$ 1,455,183
Notes Receivable Due Within One Year	<u>569,141</u>	<u>-</u>	<u>569,141</u>
Total Current Assets	<u>2,009,351</u>	<u>14,973</u>	<u>2,024,324</u>
Noncurrent Assets:			
Notes Receivable Due In More Than One Year	2,922,584	-	2,922,584
Capital Assets - Net of Accumulated Depreciation			
Construction in Progress	-	-	-
Land and Land Improvements	2,730,802	-	2,730,802
Buildings	14,341,742	-	14,341,742
Vehicles and Equipment	1,115,869	-	1,115,869
Infrastructure Assets - Net of Depreciation	<u>1,361,924</u>	<u>-</u>	<u>1,361,924</u>
Total Noncurrent Assets	<u>22,472,921</u>	<u>-</u>	<u>22,472,921</u>
Total Assets	<u>24,482,272</u>	<u>14,973</u>	<u>24,497,245</u>
<b>LIABILITIES</b>			
Current Liabilities:			
General Obligation Bonds Payable	155,000	-	155,000
Revenue Bonds Payable	225,000	-	225,000
Financing Obligations Payable	<u>249,761</u>	<u>-</u>	<u>249,761</u>
Total Current Liabilities	<u>629,761</u>	<u>-</u>	<u>629,761</u>
Noncurrent Liabilities:			
General Obligation Bonds Payable	5,510,000	-	5,510,000
Revenue Bonds Payable	5,580,000	-	5,580,000
Financing Obligations Payable	<u>3,378,539</u>	<u>-</u>	<u>3,378,539</u>
Total Noncurrent Liabilities	<u>14,468,539</u>	<u>-</u>	<u>14,468,539</u>
Total Liabilities	<u>15,098,300</u>	<u>-</u>	<u>15,098,300</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	7,943,762	-	7,943,762
Restricted For:			
Capital Projects	95,350	-	95,350
Debt Service	72,738	-	72,738
Jail Canteen	-	14,973	14,973
Unrestricted	<u>1,272,122</u>	<u>-</u>	<u>1,272,122</u>
Total Net Assets	<u>9,383,972</u>	<u>14,973</u>	<u>9,398,945</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**For the Year Ended June 30, 2005**

**PERRY COUNTY**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2005**

<b>Functions/Programs Reporting Entity</b>	<b>Program Revenues Received</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 2,450,068	\$ -	\$ 3,152,732	\$ -
Protection to Persons and Property	1,814,311	31,457	978,575	52,457
General Health and Sanitation	480,229	-	-	174,725
Social Services	30,407	-	-	-
Recreation and Culture	94,097	-	-	-
Roads	763,029	-	1,164,564	-
Interest on Long-Term Debt	590,027	-	-	-
Capital Projects	<u>1,991,800</u>	<u>-</u>	<u>-</u>	<u>1,991,799</u>
Total Governmental Activities	<u>\$ 8,213,968</u>	<u>\$ 31,457</u>	<u>\$ 5,295,871</u>	<u>\$ 2,218,981</u>
Business-type Activities;				
Jail Canteen	<u>305,490</u>	<u>285,833</u>	<u>-</u>	<u>-</u>
Total Business-type Activities	<u>305,490</u>	<u>285,833</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 8,519,458</u>	<u>\$ 317,290</u>	<u>\$ 5,295,871</u>	<u>\$ 2,218,981</u>

**General Revenues:**

Taxes:

Real Property Taxes  
 Personal Property Taxes  
 Motor Vehicle Taxes  
 Other Taxes  
 Excess Fees  
 Miscellaneous Revenues  
 Accrued Interest Received

Total General Revenues

Changes in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**PERRY COUNTY**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2005**

(Continued)

<b>Net (Expenses) Revenues  and Changes in Net Assets  Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
\$ 702,664	\$ -	\$ 702,664
(751,822)	-	(751,822)
(305,504)	-	(305,504)
(30,407)	-	(30,407)
(94,097)	-	(94,097)
401,535	-	401,535
(590,027)	-	(590,027)
(1)	-	(1)
<u>\$ (667,659)</u>	<u>\$ -</u>	<u>\$ (667,659)</u>
-	(19,657)	(19,657)
-	(19,657)	(19,657)
<u>\$ (667,659)</u>	<u>\$ (19,657)</u>	<u>\$ (687,316)</u>
\$ 773,051	\$ -	\$ 773,051
85,304	-	85,304
221,504	-	221,504
942,560	-	942,560
128,879	-	128,879
424,538	-	424,538
9,931	156	10,087
\$ 2,585,767	\$ 156	\$ 2,585,923
1,918,108	(19,501)	1,898,607
<u>7,465,864</u>	<u>34,474</u>	<u>7,500,338</u>
<u>\$ 9,383,972</u>	<u>\$ 14,973</u>	<u>\$ 9,398,945</u>

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**June 30, 2005**

**PERRY COUNTY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**June 30, 2005**

	<b><u>General Fund</u></b>	<b><u>Road Fund</u></b>	<b><u>Jail Fund</u></b>	<b><u>LGEA Fund</u></b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 389,030	\$ 245,574	\$ 6,194	\$ 340,543
Investments	-	-	-	-
Total Assets	<u>\$ 389,030</u>	<u>\$ 245,574</u>	<u>\$ 6,194</u>	<u>\$ 340,543</u>
<b>FUND BALANCES</b>				
Fund Balances:				
Reserved for:				
Encumbrances	2,451	-	21,655	772
Unreserved:				
General Fund	386,579	-	-	-
Special Revenue fund	-	245,574	(15,461)	339,771
Capital Projects Fund	-	-	-	-
Debt Service Fund	-	-	-	-
Total Fund Balances	<u>\$ 389,030</u>	<u>\$ 245,574</u>	<u>\$ 6,194</u>	<u>\$ 340,543</u>
Total Liabilities and Fund Balances	<u>\$ 389,030</u>	<u>\$ 245,574</u>	<u>\$ 6,194</u>	<u>\$ 340,543</u>

The accompanying notes are an integral part of the financial statements.

**PERRY COUNTY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**June 30, 2005**  
**(Continued)**

<b>Community Development Block Grant Fund</b>	<b>Justice Center Corporation Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 2	\$ -	\$ 290,781	\$ 1,272,124
-	95,348	72,738	168,086
<u>\$ 2</u>	<u>\$ 95,348</u>	<u>\$ 363,519</u>	<u>\$ 1,440,210</u>
-	-	240	25,118
-	-	-	386,579
-	-	290,541	860,425
2	95,348	-	95,350
-	-	72,738	72,738
<u>\$ 2</u>	<u>\$ 95,348</u>	<u>\$ 363,519</u>	<u>\$ 1,440,210</u>
<u>\$ 2</u>	<u>\$ 95,348</u>	<u>\$ 363,519</u>	<u>\$ 1,440,210</u>

**Reconciliation of the Balance Sheet - Governmental  
Funds to the Statement of Net Assets**

Total Fund Balances \$ 1,440,210

Amounts Reported for Governmental Activities  
in the Statement of Net Assets are Different  
because of the following:

Principal on Long-term Receivables is not reported in the fund financial statements	3,491,725
Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Funds	22,081,474
Accumulated Depreciation	(2,531,137)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the Funds	
Financing Obligations	(11,470,000)
Bonded Debt	<u>(3,628,300)</u>

Net Assets of Governmental Activities \$ 9,383,972

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2005**

**PERRY COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2005**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>LGEA Fund</b>
<b>REVENUES</b>				
Taxes	\$ 1,459,359	\$ -	\$ -	\$ -
Excess Fees	126,646	2,233	-	-
Licenses and Permits	200,013	-	-	80,340
Intergovernmental	391,169	1,164,564	978,575	2,865,704
Charges for Services	31,457	-	-	-
Miscellaneous	18,904	8,400	73,534	11,253
Interest	1,132	1,387	405	1,834
Total Revenues	<u>\$ 2,228,680</u>	<u>\$ 1,176,584</u>	<u>\$ 1,052,514</u>	<u>\$ 2,959,131</u>
<b>EXPENDITURES</b>				
General Government	\$ 1,126,990	\$ -	\$ -	\$ 83
Protection to Persons and Property	10,800	-	1,466,311	119,687
General Health and Sanitation	27,494	-	-	236,089
Social Services	12,731	-	-	17,676
Recreation and Culture	-	-	-	78,053
Roads	-	992,028	-	534,561
Debt Service	-	29,134	419,448	73,205
Capital Projects	-	-	-	17,801
Administration	852,716	94,362	130,882	676,666
Total Expenditures	<u>\$ 2,030,731</u>	<u>\$ 1,115,524</u>	<u>\$ 2,016,641</u>	<u>\$ 1,753,821</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ 197,949</u>	<u>\$ 61,060</u>	<u>\$ (964,127)</u>	<u>\$ 1,205,310</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	274,450	-	1,000,000	75,000
Transfers to Other Funds	(272,700)	-	(75,000)	(1,100,467)
Total Other Financing Sources (Uses)	<u>\$ 1,750</u>	<u>\$ -</u>	<u>\$ 925,000</u>	<u>\$ (1,025,467)</u>
Net Change in Fund Balances	199,699	61,060	(39,127)	179,843
Fund Balances - Beginning	189,331	184,514	45,321	160,700
Fund Balances - Ending	<u>\$ 389,030</u>	<u>\$ 245,574</u>	<u>\$ 6,194</u>	<u>\$ 340,543</u>

The accompanying notes are an integral part of the financial statements.

**PERRY COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**For the Year Ended June 30, 2005**  
**(Continued)**

<b>Community Development Block Grant Fund</b>	<b>Justice Center Corporation Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ -		\$ 282,707	\$ 1,742,066
-		-	128,879
-		-	280,353
1,974,000	482,798	227,183	8,083,993
-		-	31,457
-		312,447	424,538
-	1,820	3,353	9,931
<u>\$ 1,974,000</u>	<u>\$ 484,618</u>	<u>\$ 825,690</u>	<u>\$ 10,701,217</u>
\$ -	\$ -	\$ -	\$ 1,127,073
-	-	356,523	1,953,321
-	-	216,646	480,229
-	-	-	30,407
-	-	3,765	81,818
-	-	-	1,526,589
-	480,798	253,289	1,255,874
1,973,999	650,132	-	2,641,932
-	2,000	37,792	1,794,418
<u>\$ 1,973,999</u>	<u>\$ 1,132,930</u>	<u>\$ 868,015</u>	<u>\$ 10,891,661</u>
\$ 1	\$ (648,312)	\$ (42,325)	\$ (190,444)
-	-	113,167	1,462,617
-	-	(14,450)	(1,462,617)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,717</u>	<u>\$ -</u>
1	(648,312)	56,392	(190,444)
1	743,660	307,127	1,630,654
<u>\$ 2</u>	<u>\$ 95,348</u>	<u>\$ 363,519</u>	<u>\$ 1,440,210</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2005**

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2005**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds \$ (190,444)

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay 2,721,245

Depreciation Expense (709,398)

Principal on Receivable Forgiven (569,141)

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. These transactions, however, have no effect on net assets.

Financing Obligations 290,846

Bond Payments 375,000

Change in Net Assets of Governmental Activities \$ 1,918,108

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**STATEMENT OF FUND NET ASSETS – PROPRIETARY FUND – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2005**

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**STATEMENT OF FUND NET ASSETS – PROPRIETARY FUND – MODIFIED CASH BASIS**

**June 30, 2005**

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 14,973</u>
Total Current Assets	<u>14,973</u>
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>14,973</u>
<b>Net Assets</b>	
Restricted	<u>14,973</u>
Total Net Assets	<u><u>\$ 14,973</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –**  
**PROPRIETARY FUND – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2005**

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For the Year Ended June 30, 2005**

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
<b>Operating Revenues</b>	
Canteen Receipts	<u>285,833</u>
Total Operating Revenues	<u>285,833</u>
<b>Operating Expenses</b>	
Cost of Sales	<u>305,490</u>
Total Operating Expenses	<u>305,490</u>
Operating Income (Loss)	<u>(19,657)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	<u>156</u>
Total Nonoperating Revenues	<u>156</u>
Change in Net Assets	<u>(19,501)</u>
Total Net Assets - Beginning	<u>34,474</u>
Total Net Assets - Ending	<u>\$ 14,973</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2005**

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2005**

	Enterprise Fund
	Jail Canteen Fund
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 285,833
Cost of Sales	<u>305,490</u>
Nets Cash Used By Operating Activities	<u>(19,657)</u>
<b>Cash Flows From Investing Activities</b>	
Interest Earned	<u>156</u>
Net Cash Provided By Investing Activities	<u>156</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(19,501)
Cash and Cash Equivalents - July 1	<u>34,474</u>
Cash and Cash Equivalents - June 30	<u>\$ 14,973</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	<u>\$ (19,657)</u>
Total Cash Used By Operating Activities	<u>\$ (19,657)</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**STATEMENT OF FUND NET ASSETS – FIDUCIARY FUND – MODIFIED CASH BASIS**

**June 30, 2005**

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**STATEMENT OF FUND NET ASSETS – FIDUCIARY FUND – MODIFIED CASH BASIS**

**June 30, 2005**

	<u>Agency Fund</u>
	<u>Jail Inmate Fund</u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$     1,939
 Total Assets	 <u>1,939</u>
 <b>Liabilities</b>	
Amounts Held in Custody For Others	<u>1,939</u>
Total Liabilities	<u>\$     1,939</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	49
NOTE 2.	DEPOSITS.....	55
NOTE 3.	CAPITAL ASSETS .....	56
NOTE 4.	RECEIVABLE.....	57
NOTE 5.	LONG-TERM DEBT.....	58
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM.....	63
NOTE 7.	DEFERRED COMPENSATION .....	63
NOTE 8.	INSURANCE.....	64
NOTE 9.	CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS.....	64

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet – Government Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet – Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Perry County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

**Blended Component Units**

**Perry County Justice Center Corporation**

The Perry County Fiscal Court appoints a voting majority of the Justice Center Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Justice Center Corporation. Financial information for the Justice Center Corporation is blended with the Perry County's financial statements. All activities of the Justice Center Corporation are accounted for as a major fund of the primary government.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

**Blended Component Units (Continued)**

**Perry County Public Properties Corporation**

The Perry County Fiscal Court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Justice Center Corporation. Financial information for the Public Properties Corporation is blended within the Perry County's financial statements. All activities of the Public Properties Corporation are accounted for as nonmajor fund of the primary government.

**C. Perry County Constitutional Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Perry County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets – resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets – those assets that do not meet the definition of restricted net assets or invested in capital assets.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** -- This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** -- This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** -- The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfer from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

**Local Government Economic Assistance (LGEA) Fund** -- The purpose of this fund is to account for funds earmarked for economic development. The primary sources of revenue for this fund are from the state. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Community Development Block Grant (CDBG) Fund – The purpose of this fund is to account for monies used to assist in building water lines throughout Perry County. The source of revenue for this fund is from federal grants passed through state government. The Governor's Office for Local Development requires the fiscal court to report and budget these fund.

Justice Center Corporation Fund – The Justice Center Corporation Fund accounts for the activities of the Justice Center Corporation, a blended component unit of the county. The Justice Center Corporation issued debt to build a Justice Center facility. The Justice Center Corporation has entered into a contract, lease, and option with the County and Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Governor's Office of Local Development does not require the Fiscal Court to report or budget these funds.

The primary government also has the following non-major funds: Emergency- 911 Fund, Forestry Fund, KREDA Fund, FEMA Fund, Area Development Fund, Perry County Emergency Special Fund, Buckhorn Water Line Fund, Coal Severance Special Project Fund and the Public Properties Corporation Bond Fund.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 31 following the assessment, and subject to lien and sale on April 30 following the delinquency date.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Emergency – 911 Fund, Forestry Fund, KREDA Fund, FEMA Fund, Area Development Fund, Perry County Emergency Fund, Buckhorn Water Line Fund, and CDBG Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Capital Projects Fund:**

The Justice Center Corporation Fund is presented as a capital project fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

**Debt Service Fund:**

The Public Properties Corporation Bond Fund is presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund – The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Fund – This fund accounts for funds received from inmates after incarceration.

**E. Deposit and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Only infrastructure assets placed in service on or after July 1, 2003, have been reported, as allowed by provisions of GASB 34.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	5-15
Office Furniture and Equipment	\$ 500	3-5
Vehicles	\$ 5,000	5-7
Infrastructure	\$ 20,000	2.-5

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet – Governmental Funds as part of the fund balance, if applicable.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. Deposits**

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 2. Deposits (Continued)**

Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or the Perry County Fiscal Court may not recover collateral securities. The Perry County Fiscal Court requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Perry County Fiscal Court's investments consist entirely of local financial deposit money market accounts with a maturity of one-year or less. Concentrations of credit risk are the risk of loss attributed to the magnitude of the Fiscal Court's investments in a single issuer. All cash and cash equivalents of the Perry County Fiscal Court are held in local financial institutions. Foreign currency risk is the risk of changes in exchange rates effecting foreign investments. The Perry County Fiscal Court does not hold any foreign investments.

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<b><u>Governmental Activities:</u></b>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 2,730,802	\$ -	\$ -	\$ 2,730,802
Construction In Progress	6,320,551	-	(6,320,551)	-
Total Capital Assets Not Being Depreciated	9,051,353	-	(6,320,551)	2,730,802
Capital Assets Being Depreciated:				
Buildings	8,523,009	7,092,500	-	15,615,509
Vehicles and Equipment	1,660,091	315,890	-	1,975,981
Infrastructure	134,943	1,624,239	-	1,759,182
Total Capital Assets Being Depreciated	10,318,043	9,032,629	-	19,350,672
Less Accumulated Depreciation For:				
Buildings	(1,095,758)	(178,009)	-	(1,273,767)
Vehicles and Equipment	(709,569)	(159,710)	9,167	(860,112)
Infrastructure	(25,579)	(371,679)	-	(397,258)
Total Accumulated Depreciation	(1,830,906)	(709,398)	9,167	(2,531,137)
Total Capital Assets, Being Depreciated, Net	8,487,137	8,323,231	9,167	16,819,535
Governmental Activities Capital Assets, Net	\$ 17,538,490	\$ 8,323,231	\$ (6,311,384)	\$ 19,550,337

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 129,928
Protection to Persons and Property	102,975
Recreation and Culture	12,279
Roads, Including Depreciation of General Infrastructure Assets	<u>464,216</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 709,398</u>

**Note 4. Receivables**

A. Economic Development Block Grant Receivable

The county loaned \$1,000,000 to Trus Joist MacMillian on December 30, 1996, for the purpose of reimbursing the cost acquisition and offsite development of a manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule with zero percent interest. The agreement provides that ten percent of the loan, or \$100,000, shall be forgiven on December 30 of each year as long as the company maintains the appropriate level of job requirements. Trus Joist MacMillian is in substantial compliance with the terms of the agreement and \$100,000 of the loan was forgiven during the fiscal year ended June 30, 2005. As of June 30, 2005, the principal balance due was \$200,000.

B. Multi-County Economic Development Block Grant Receivable

The county loaned another \$1,000,000 to Trus Joist MacMillian on December 30, 1996, for the purpose of reimbursing the cost acquisition and offsite development of a manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule with a zero percent interest rate. The agreement provides that ten percent of the loan, \$100,000, shall be forgiven on December 30 of each year as long as the company maintains the appropriate level of job requirements. Trus Joist MacMillian is in substantial compliance with the terms of the agreement and \$100,000 of the loan was forgiven during the fiscal year ended June 30, 2005. As of June 30, 2005, the principal balance due was \$200,000.

C. Cintas Sales Corporation Receivable

The county loaned \$3,997,000 to Cintas Sales Corporation on March 2, 1994 for the purpose of constructing a manufacturing facility. Terms of the agreement stipulate a 25-year repayment schedule at an eight percent interest rate. The agreement also states that any shortfall in principal payments by Cintas shall be forgiven by the county and that the county will make up such difference from proceeds of coal severance monies. At the end of this agreement, it appears the property and building will transfer to Cintas with the county having to pay back the LGED grant funding from prior years. It appears that Cintas Sales Corporation is in substantial compliance with terms of the agreement. As of June 30, 2005, the principal balance due was \$3,091,725.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 4. Receivables (Continued)**

Notes receivable, as of year-end for the government's individual major funds and all other funds, in the aggregate, are as follows:

Due Within One Year	\$ 569,141
Due In More Than One Year	<u>2,922,584</u>
Total	<u>\$ 3,491,725</u>

Changes in long-term receivables:

<u>Balance</u> <u>7/1/2004</u>	<u>Principal</u> <u>Reductions</u>	<u>Balance</u> <u>6/30/2005</u>
\$ 4,060,866	\$ (569,141)	\$ 3,491,725

**Note 5. Long-Term Debt**

**A. Perry County Detention Center Bond**

In December 2001, the Perry County Fiscal Court issued \$6,115,000 in General Obligation Public Project Bonds to provide long-term financing for the Perry County Detention Center. The proceeds were used to pay off three bond anticipation notes, which were used for the construction of the Perry County Detention Center. These bonds are scheduled to mature in June 2027 and have a variable interest rate of 2.0 to 5.0%. Semiannual interest payments are required in June and December and the principal amount is due each December. The principal amount of bonds outstanding as of June 30, 2005, was \$5,665,000. Future debt service requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2006	\$ 259,745	\$ 155,000
2007	254,217	165,000
2008	248,018	170,000
2009	241,288	175,000
2010	234,041	185,000
2011 - 2015	1,043,455	1,040,000
2016 - 2020	774,785	1,315,000
2021 - 2025	414,378	1,670,000
2026 - 2027	<u>40,000</u>	<u>790,000</u>
	<u>\$ 3,509,927</u>	<u>\$ 5,665,000</u>

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**B. Perry County Justice Center Bond (Phase 2)**

In April 2002, the Perry County Justice Center Corporation issued bonds in order to construct the Perry County Justice Center. On the same day, the Perry County Justice Center Corporation, Administrative Office of the Courts (AOC), and the county entered into a use and sublease agreement for the purpose of obtaining office rental space for the AOC at the Justice Center.

The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are acting as an agent for the Administrative Office of the Courts in order to plan, design, construct, manage, and maintain the Justice Building. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust expect annual rentals for use of the Justice Building to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the use and sublease agreement, the Administrative Office of the Courts has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the use and sublease agreement. The use and sublease agreement is renewable each year. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are in reliance upon the use allowance payment in order to meet the debt service for the bonds.

The Administrative Office of the Courts with the execution of the use and sublease agreement has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until June 1, 2023, but the use and sublease agreement does not legally obligate the Administrative Office of Courts to do so. The principal amount of bonds outstanding as of June 30, 2005, was \$5,805,000. Future debt service requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2006	\$ 254,450	\$ 225,000
2007	246,968	235,000
2008	238,532	240,000
2009	229,218	250,000
2010	219,012	260,000
2011 - 2015	913,706	1,465,000
2016 - 2020	538,923	1,820,000
2021 - 2023	<u>96,480</u>	<u>1,310,000</u>
Totals	<u>\$ 2,737,289</u>	<u>\$ 5,805,000</u>

**C. Caterpillar Backhoe-2001**

In September 2001, the county entered into a lease agreement with CAT Financial for the purchase of a Caterpillar Backhoe Loader. Terms of the lease agreement stipulate a 5-year repayment schedule with monthly principal and interest payments. The principal amount of bonds outstanding as of June 30, 2005, was \$8,861. Future debt service requirements are:

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**C. Caterpillar Backhoe-2001 (Continued)**

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 447	\$ 8,861
Totals	<u>\$ 447</u>	<u>\$ 8,861</u>

**D. Caterpillar Backhoe-2003**

In April 2003, the county entered into a lease agreement with CAT Financial for the purchase of a Caterpillar Backhoe Loader. Terms of the lease agreement stipulate a 5-year repayment schedule with monthly principal and interest payments. The principal amount of bonds outstanding as of June 30, 2005, was \$35,905. Future debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 1,172	\$ 12,238
2007	673	12,737
2008	166	10,930
Totals	<u>\$ 2,011</u>	<u>\$ 35,905</u>

**E. Caterpillar Backhoe 321-2003**

In September 2003, the county entered into a lease agreement with CAT Financial for the purchase of a Caterpillar 321 Backhoe Loader. Terms of the lease agreement stipulate a 5-year repayment schedule with monthly principal and interest payments. As of June 30, 2005, the principal balance outstanding was \$72,924. Future debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 1,743	\$ 58,052
2007	93	14,872
Totals	<u>\$ 1,836</u>	<u>\$ 72,924</u>

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**F. KADD Lease-Cintas**

On May 14, 1998, the county entered into a lease agreement with the Kentucky Area Development District Financing Trust for the purpose of refinancing a bank note. Terms of the lease agreement stipulate a 20-year repayment schedule with semiannual interest payments and annual principal payments. The principal amount of bonds outstanding as of June 30, 2005, was \$1,465,000. Future debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 81,895	\$ 80,000
2007	77,775	85,000
2008	73,397	90,000
2009	68,763	95,000
2010	63,538	100,000
2011 - 2015	229,388	580,000
2016 - 2018	52,675	435,000
<b>Totals</b>	<b>\$ 647,431</b>	<b>\$ 1,465,000</b>

**G. New Holland Tractor & Mower**

In May 2002, the county entered into a lease agreement with New Holland Credit for the purchase of a tractor and mower. Terms of the lease agreement stipulate a 4-year repayment schedule with monthly principal payments and one interest payment due at the end of the lease. The principal amount of bonds outstanding as of June 30, 2005, was \$10,610. Future debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 5,200	\$ 10,610
<b>Totals</b>	<b>\$ 5,200</b>	<b>\$ 10,610</b>

**H. KADD Lease – Land Purchased and Demolition**

On July 1, 2000, the Perry County Kentucky Justice Center Corporation entered into a capital lease agreement with the Kentucky Area Development District, on behalf of the Administrative Office of Courts, for phase one of the Justice Center Project. These funds were for the purchase of property and the demolition of an existing building for the Justice Center Project.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**H. KADD Lease – Land Purchased and Demolition (Continued)**

The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are acting as an agent for the Administrative Office of the Courts in order to plan, design, construct, manage and maintain the Justice Building. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust expect annual rentals for use of the Justice Building to be in the full amount of the annual principal and interest requirements of this KADD lease. Under the terms of an additional use and sublease agreement, the Administrative Office of the Courts has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the use and sublease agreement. The use and sublease agreement is renewable each year. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are in reliance upon the use allowance payment in order to meet the debt service for the KADD lease.

The use allowance payment has commenced prior to the occupancy of the Justice Building by the Administrative Office of the Courts. The Administrative Office of the Courts with the execution of the use and sublease agreement has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until May 2018, but the use and sublease agreement does not legally obligate the Administrative Office of the Courts to do so.

The principal amount of bonds outstanding as of June 30, 2005, was \$2,035,000. Future debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 112,733	\$ 80,000
2007	108,932	80,000
2008	105,130	85,000
2009	101,005	90,000
2010	96,638	95,000
2011 - 2015	404,310	550,000
2016 - 2020	235,582	715,000
2021 - 2022	34,185	340,000
<b>Totals</b>	<b>\$ 1,198,515</b>	<b>\$ 2,035,000</b>

**I. Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2005 was as follows:

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**I. Changes in Long-term Liabilities (Continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government:</b>					
Governmental Activities:					
General Obligation Bonds	\$ 5,820,000	\$ -	\$ (155,000)	\$ 5,665,000	\$ 155,000
Revenue Bonds	6,025,000	-	(220,000)	5,805,000	225,000
Financing Obligations	<u>3,919,147</u>	<u>-</u>	<u>(290,847)</u>	<u>3,628,300</u>	<u>249,761</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 15,764,147</u>	<u>\$ -</u>	<u>\$ (665,847)</u>	<u>\$ 15,098,300</u>	<u>\$ 629,761</u>

**Note 6. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. This is a cost-sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefits contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**Note 7. Deferred Compensation**

The Perry County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employee's Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplementary retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 7. Deferred Compensation (Continued)**

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees Deferred Compensation Authority, 105 Sea Hero Road, Suite #1, Frankfort, Kentucky 40601-8862.

**Note 8. Insurance**

For the fiscal year ended June 30, 2005, Perry County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Prior Period Adjustments**

The following prior period adjustments were made to beginning net assets of Governmental Activities:

Decrease in net assets - Total Notes Receivable Principal Due in More than One Year, Cintas Corporation, was overstated, the prior year balance included long-term interest also.	\$ 2,076,248
Decrease in net assets - Total Liabilities was understated. Debt was not reported on a Caterpillar Backhoe.	<u>169,942</u>
Net Decrease in Beginning Net Assets, July 1, 2004	<u>\$ 2,246,190</u>

**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

**For The Year Ended June 30, 2005**

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

**For The Year Ended June 30, 2005**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 1,292,000	\$ 1,376,552	\$ 1,459,359	\$ 82,807
Excess Fees	128,728	128,728	126,646	(2,082)
Licenses and Permits	232,000	232,000	200,013	(31,987)
Intergovernmental Revenue	434,208	512,746	391,169	(121,577)
Charges for Service	47,200	65,200	31,457	(33,743)
Miscellaneous	25,200	49,970	18,904	(31,066)
Interest	2,000	2,000	1,132	(868)
Total Revenues	<u>\$ 2,161,336</u>	<u>\$ 2,367,196</u>	<u>\$ 2,228,680</u>	<u>\$ (138,516)</u>
<b>EXPENDITURES</b>				
General Government	\$ 1,130,779	\$ 1,130,779	\$ 1,126,990	\$ 3,789
Protection to Persons and Property	10,800	10,800	10,800	-
General Health and Sanitation	26,700	26,700	27,494	(794)
Social Services	-	-	12,731	(12,731)
Administration	685,094	685,094	852,716	(167,622)
Total Expenditures	<u>\$ 1,853,373</u>	<u>\$ 1,853,373</u>	<u>\$ 2,030,731</u>	<u>\$ (177,358)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ 307,963</u>	<u>\$ 513,823</u>	<u>\$ 197,949</u>	<u>\$ (315,874)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	92,037	92,037	274,450	182,413
Transfers To Other Funds	(500,000)	(795,191)	(272,700)	522,491
Total other Financing Sources (Uses)	<u>\$ (407,963)</u>	<u>\$ (703,154)</u>	<u>\$ 1,750</u>	<u>\$ 704,904</u>
Net Changes in Fund Balances	(100,000)	(189,331)	199,699	389,030
Fund Balances - Beginning	<u>100,000</u>	<u>189,331</u>	<u>189,331</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 389,030</u>	<u>\$ 389,030</u>

**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

**For The Year Ended June 30, 2005 (Continued)**

	<b>ROAD FUND</b>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u>	<u>Final Budget</u>
			<u>(Budgetary</u>	<u>Positive</u>
			<u>Basis)</u>	<u>(Negative)</u>
<b>REVENUES</b>				
Licenses and Permits	\$ 200	\$ 200	\$ 2,233	\$ 2,033
Intergovernmental Revenue	1,017,145	1,148,145	1,164,564	16,419
Miscellaneous	-	-	8,400	8,400
Interest	2,500	2,500	1,387	(1,113)
Total Revenues	<u>\$ 1,019,845</u>	<u>\$ 1,150,845</u>	<u>\$ 1,176,584</u>	<u>\$ 25,739</u>
<b>EXPENDITURES</b>				
Roads	\$ 1,044,382	\$ 1,044,382	\$ 992,028	\$ 52,354
Debt Service	27,010	27,010	29,134	(2,124)
Administration	106,416	106,416	94,362	12,054
Total Expenditures	<u>\$ 1,177,808</u>	<u>\$ 1,177,808</u>	<u>\$ 1,115,524</u>	<u>\$ 62,284</u>
Excess (Deficiency) of Revenues Over				
Expenditures Before Other				
Financing Sources (Uses)	<u>\$ (157,963)</u>	<u>\$ (26,963)</u>	<u>\$ 61,060</u>	<u>\$ 88,023</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	-	-	-	-
Transfers To Other Funds	(92,037)	(223,037)	-	223,037
Total other Financing Sources (Uses)	<u>\$ (92,037)</u>	<u>\$ (223,037)</u>	<u>\$ -</u>	<u>\$ 223,037</u>
Net Changes in Fund Balances	(250,000)	(250,000)	61,060	311,060
Fund Balances - Beginning	250,000	250,000	184,514	(65,486)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 245,574</u>	<u>\$ 245,574</u>

**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

**For The Year Ended June 30, 2005 (Continued)**

	<b><u>JAIL FUND</u></b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 676,740	\$ 996,983	\$ 978,575	\$ (18,408)
Miscellaneous	35,000	35,000	73,534	38,534
Interest	500	500	405	(95)
Total Revenues	<u>\$ 712,240</u>	<u>\$ 1,032,483</u>	<u>\$ 1,052,514</u>	<u>\$ 20,031</u>
<b>EXPENDITURES</b>				
Protection to Persons and Properties	957,592	957,592	1,466,311	(508,719)
Debt Service	419,628	419,628	419,448	180
Administration	113,750	113,750	130,882	(17,132)
Total Expenditures	<u>\$ 1,490,970</u>	<u>\$ 1,490,970</u>	<u>\$ 2,016,641</u>	<u>\$ (525,671)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (778,730)</u>	<u>\$ (458,487)</u>	<u>\$ (964,127)</u>	<u>\$ (505,640)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	718,730	968,730	1,000,000	31,270
Transfers To Other Funds	-	(570,243)	(75,000)	495,243
Total other Financing Sources (Uses)	<u>\$ 718,730</u>	<u>\$ 398,487</u>	<u>\$ 925,000</u>	<u>\$ 526,513</u>
Net Changes in Fund Balances	(60,000)	(60,000)	(39,127)	20,873
Fund Balances - Beginning	60,000	60,000	45,321	(14,679)
Fund Balances - Ending	\$ -	\$ -	\$ 6,194	\$ 6,194

**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

**For The Year Ended June 30, 2005 (Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE**

	<b>FUND</b>			
			Actual	Variance with
			Amounts,	Final Budget
			(Budgetary	Positive
	Budgeted Amounts		Basis)	(Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Licenses and Permits	\$ 126,000	\$ 126,000	\$ 80,340	\$ (45,660)
Intergovernmental Revenue	1,634,905	1,884,905	2,865,704	980,799
Miscellaneous	20,000	20,000	11,253	(8,747)
Interest	1,500	1,500	1,834	334
Total Revenues	<u>\$ 1,782,405</u>	<u>\$ 2,032,405</u>	<u>\$ 2,959,131</u>	<u>\$ 926,726</u>
<b>EXPENDITURES</b>				
General Government	\$ -	\$ -	\$ 83	\$ (83)
Protection to Persons and Property	101,950	101,950	119,687	(17,737)
General Health and Sanitation	101,500	101,500	236,089	(134,589)
Social Services	23,200	23,200	17,676	5,524
Recreation and Culture	108,000	108,000	78,053	29,947
Roads	670,000	670,000	534,561	135,439
Debt Service	73,210	73,210	73,205	5
Capital Projects	18,302	18,302	17,801	501
Administration	617,513	617,513	676,666	(59,153)
Total Expenditures	<u>\$ 1,713,675</u>	<u>\$ 1,713,675</u>	<u>\$ 1,753,821</u>	<u>\$ (40,146)</u>
Excess (Deficiency) of Revenues Over				
Expenditures Before Other				
Financing Sources (Uses)	<u>\$ 68,730</u>	<u>\$ 318,730</u>	<u>\$ 1,205,310</u>	<u>\$ 886,580</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	-	-	75,000	75,000
Transfers To Other Funds	(218,730)	(468,730)	(1,100,467)	(631,737)
Total other Financing Sources (Uses)	<u>\$ (218,730)</u>	<u>\$ (468,730)</u>	<u>\$ (1,025,467)</u>	<u>\$ (556,737)</u>
Net Changes in Fund Balances	(150,000)	(150,000)	179,843	329,843
Fund Balances - Beginning	150,000	150,000	160,700	10,700
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340,543</u>	<u>\$ 340,543</u>

**PERRY COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2005**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the General Obligation Bond Fund, the Jail Canteen Fund, the Regional Jail Corporation, and the Justice Center Expansion Corporation.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The Budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY  
COMBINING BALANCE SHEET –  
NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2005**

**PERRY COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2005**

	<b>Coal Severance Special Project Fund</b>	<b>Area Development Fund</b>	<b>Perry Co Emergency Fund</b>	<b>Forestry Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 82,459	\$ 32	\$ 3,384	\$ 7,523
Investments	-	-	-	-
Total Assets	<u>\$ 82,459</u>	<u>\$ 32</u>	<u>\$ 3,384</u>	<u>\$ 7,523</u>
<b>FUND BALANCE</b>				
Fund Balances:				
Reserved for Encumbrances	\$ -	\$ -	\$ -	\$ -
Unreserved:				
Special Revenue Funds	82,459	32	3,384	7,523
Debt Service Funds	-	-	-	-
Total Fund Balances	<u>\$ 82,459</u>	<u>\$ 32</u>	<u>\$ 3,384</u>	<u>\$ 7,523</u>

**PERRY COUNTY**  
**COMBINING BALANCE SHEET –**  
**NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2005**  
**(Continued)**

<b><u>FEMA</u></b> <b><u>Fund</u></b>	<b><u>E-911</u></b> <b><u>Fund</u></b>	<b><u>KREDA</u></b> <b><u>Fund</u></b>	<b><u>Buckhorn</u></b> <b><u>Water Line</u></b> <b><u>Fund</u></b>	<b><u>Public</u></b> <b><u>Properties</u></b> <b><u>Corporation</u></b> <b><u>Bond</u></b> <b><u>Fund</u></b>	<b><u>Total</u></b> <b><u>Non-Major</u></b> <b><u>Governmental</u></b> <b><u>Funds</u></b>
\$ 1,532	\$ 36,051	\$ 159,791	\$ 9	\$ -	\$ 290,781
-	-	-	-	72,738	72,738
<u>\$ 1,532</u>	<u>\$ 36,051</u>	<u>\$ 159,791</u>	<u>\$ 9</u>	<u>\$ 72,738</u>	<u>\$ 363,519</u>
\$ -	\$ 240	\$ -	\$ -	\$ -	\$ 240
1,532	35,811	159,791	9	-	290,541
-	-	-	-	72,738	72,738
<u>\$ 1,532</u>	<u>\$ 36,051</u>	<u>\$ 159,791</u>	<u>\$ 9</u>	<u>\$ 72,738</u>	<u>\$ 363,519</u>

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2005**

**PERRY COUNTY**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2005**

	Coal Severance Special Project <u>Fund</u>	Area Development <u>Fund</u>	Perry Co Emergency <u>Fund</u>	Forestry <u>Fund</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ 622
Intergovernmental	174,725	-	-	-
Miscellaneous	-	-	-	-
Interest	359	-	-	29
Total Revenues	<u>\$ 175,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 651</u>
<b>EXPENDITURES</b>				
Protection to Persons and property	\$ -	\$ -	\$ -	\$ -
General Health and Sanitation	215,193	-	-	-
Debt Service	-	-	-	-
Recreation and Culture	3,765	-	-	-
Administration	-	-	-	-
Total Expenditures	<u>\$ 218,958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of Revenues over Expenditures Before Other Financing Sources (Uses)	<u>\$ (43,874)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 651</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	\$ 40,467	\$ -	\$ -	\$ -
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 40,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	(3,407)	-	-	651
Fund Balances - Beginning	85,866	32	3,384	6,872
Fund Balances - Ending	<u>\$ 82,459</u>	<u>\$ 32</u>	<u>\$ 3,384</u>	<u>\$ 7,523</u>

**PERRY COUNTY**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>FEMA</b>	<b>E-911</b>	<b>KREDA</b>	<b>Buckhorn</b>	<b>Public</b>	<b>Total</b>
<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Water Line</b>	<b>Properties</b>	<b>Non-Major</b>
<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Corporation</b>	<b>Governmental</b>
<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Bond</b>	<b>Funds</b>
<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>
\$ -	\$ 282,085	\$ -	\$ -	\$ -	\$ 282,707
1	52,457	-	-	-	227,183
-	-	312,447	-	-	312,447
-	134	726	6	2,099	3,353
<u>\$ 1</u>	<u>\$ 334,676</u>	<u>\$ 313,173</u>	<u>\$ 6</u>	<u>\$ 2,099</u>	<u>\$ 825,690</u>
\$ -	\$ 356,523	\$ -	\$ -	\$ -	\$ 356,523
-	-	-	1,453	-	216,646
-	-	160,758	-	92,531	253,289
-	-	-	-	-	3,765
-	37,578	-	-	214	37,792
<u>\$ -</u>	<u>\$ 394,101</u>	<u>\$ 160,758</u>	<u>\$ 1,453</u>	<u>\$ 92,745</u>	<u>\$ 868,015</u>
<u>\$ 1</u>	<u>\$ (59,425)</u>	<u>\$ 152,415</u>	<u>\$ (1,447)</u>	<u>\$ (90,646)</u>	<u>\$ (42,325)</u>
\$ -	\$ 72,700	\$ -	\$ -	\$ -	\$ 113,167
-	-	(14,450)	-	-	(14,450)
<u>\$ -</u>	<u>\$ 72,700</u>	<u>\$ (14,450)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,717</u>
1	13,275	137,965	(1,447)	(90,646)	56,392
1,531	22,776	21,826	1,456	163,384	307,127
<u>\$ 1,532</u>	<u>\$ 36,051</u>	<u>\$ 159,791</u>	<u>\$ 9</u>	<u>\$ 72,738</u>	<u>\$ 363,519</u>

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2005**

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Other Supplementary Information**

**Fiscal Year Ended June 30, 2005**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry County, Kentucky.
2. One reportable condition relating to the internal control of the audit of the financial statements is reported in the Independent Auditors Report.
3. No instances of noncompliance material to the financial statements of Perry County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Perry County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Perry County reported in Part C of this schedule.
7. The program tested as a major program was: Community Development Block Grant #14.228.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Perry County was not determined to be a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**REPORTABLE CONDITIONS**

**2005-01      All Interfund Transfers Should Be Properly Recorded As Transfers In/Out**

Auditor noted when converting its manual bookkeeping system to a computerized bookkeeping system, transfers out totaling \$105,000 in General Fund were incorrectly posted to the carryforward balance resulting in an overstatement of transfers out and an understatement of beginning carryforward balance. All transfers of monies between funds should be properly recorded as transfers in and out so that the proper audit procedures can be applied. We recommend the county ensure that all transfers of monies between funds are properly recorded as such.

*Perry County Treasurer Tonya Delph's Response:*

*I will ensure transfers are properly posted for the fiscal year end June 30, 2006.*

**PERRY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Other Supplementary Information**  
**Fiscal Year Ended June 30, 2005**  
**(Continued)**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**STATE LAWS AND REGULATIONS (Continued)**

None

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

1. The County Should Ensure Transfer of Funds Are Recorded as Such.

*Reference current year findings.*

2. Timesheets should be maintained for all employees.

*Cleared.*

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT**

None

**PERRY COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Other Supplementary Information**

THIS PAGE LEFT BLANK INTENTIONALLY

**PERRY COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**

**Fiscal Year Ended June 30, 2005**

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM AWARDS EXPENDED
<b>Cash Programs:</b>			
<b>US Department of Homeland Security</b>			
Passed through State Department of Military Affairs:			
Disaster and Emergency Assistance Grants	97.036	1523PA	\$ 152,483
	97.036	1471PA	65,316
	97.036	1454PA	55,341
Passed through State Disaster and Emergency Services:			
Homeland Security Grants Program	97.004		<u>65,807</u>
Total US Department of Homeland Security			<u>338,947</u>
<b>US Department of Commerce</b>			
Passed through National Oceanic Atmospheric Administration:			
PRIDE Community Grants	11.469		<u>146,533</u>
Total US Department of Commerce			<u>146,533</u>
<b>US Department of Housing and Urban Development:</b>			
Passed through Governor's Office of Local Development			
Community Development Block Grant	14.228	02-063	* <u>1,973,999</u>
Total US Department of Housing and Urban Development			<u>1,973,999</u>
Total Federal Awards Expended			<u>\$ 2,459,479</u>

\* Denotes major program.

**PERRY COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**

**Fiscal Year Ended June 30, 2005**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Perry County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

THIS PAGE LEFT BLANK INTENTIONALLY

**Chris Gooch**  
Certified Public Accountant  
P.O. Box 1536  
Hazard, Kentucky 41702  
(606) 436-5700

FAX: (606) 436-5701

The Honorable Denny Ray Noble, Perry County Judge/Executive  
Members of the Perry County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements and have issued a report thereon dated May 18, 2006. Perry County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Perry County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Perry County's ability to initiate, record, process, and report data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Perry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinions. The results of our tests disclosed no instance of noncompliance or other matter that is required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of Perry County Fiscal Court, management and federal awarding agencies, and pass-through entities is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Chris Gooch', written over a horizontal line.

Chris Gooch  
Certified Public Accountant

Audit fieldwork completed -  
May 18, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

THIS PAGE LEFT BLANK INTENTIONALLY

**Chris Gooch**  
Certified Public Accountant  
P.O. Box 1536  
Hazard, Kentucky 41702  
(606) 436-5700

FAX: (606) 436-5701

The Honorable Denny Ray Noble, Perry County Judge/Executive  
Members of the Perry County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Perry County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2005. Perry County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Perry County's management. Our responsibility is to express an opinion on Perry County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Perry County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Perry County's compliance with those requirements.

In our opinion, Perry County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Perry County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Perry County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Chris Gooch', with a long horizontal flourish extending to the right.

Chris Gooch  
Certified Public Accountant

Audit fieldwork completed -  
May 18, 2006

**CERTIFICATION OF COMPLIANCE –  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**PERRY COUNTY FISCAL COURT**

**For the Fiscal Year Ended  
June 30, 2005**

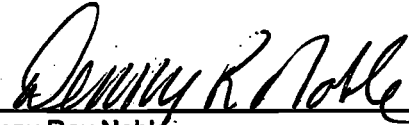
THIS PAGE LEFT BLANK INTENTIONALLY

**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

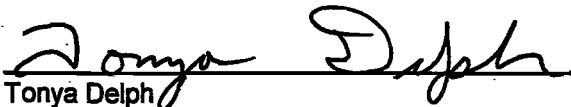
**PERRY COUNTY FISCAL COURT**

**For the year ended June 30, 2005**

The Perry County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Denny Ray Noble  
County Judge Executive



Tonya Delph  
County Treasurer

